

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 NEA-10 /093 W

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P R 030556Z JUL 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 6074

INFO CINCPAC

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

C O N F I D E N T I A L CANBERRA 4333

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT, AS

SUBJECT: PRIME MINISTER WHITLAM SACKS DEPUTY PRIME MINISTER CAIRNS

REF: CANBERRA 4313

1. SUMMARY: ON THE EVENING OF JULY 2 PRIME MINISTER WHITLAM HAD THE GOVERNOR-GENERAL REVOKE DEPUTY PRIME MINISTER CAIRNS' MINISTERIAL COMMISSION. THIS ACTION CONFRONTS THE ALP WITH A SERIOUS CRISIS AND MAY WELL PRECIPITATE AN EARLY NATIONAL ELECTION WHICH WOULD ALMOST CERTAINLY RESULT IN A SWEEPING LIBERAL-COUNTRY PARTY VICTORY. END SUMMARY.

2. AS REPORTED IN REFTEL, THE PRIME MINISTER ON JULY 1 ASKED DR. CAIRNS TO EXPLAIN THE APPARENT CONTRADICTION BETWEEN A LETTER HE SIGNED ON MARCH 7 RELATING TO A FOREIGN LOAN AND HIS STATEMENT OF PARLIAMENT ON JUNE 4 ON THE ISSUE OF COMMISSIONS ON LOANS ACTUALLY ARRANGED. THE PRIME MINISTER ALSO DEMANDED AN EXPLANATION FROM DR. CAIRNS ON THE ROLE HIS STEPSON AND

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ELECTORATE SECRETARY PLAYED IN ATTEMPTING TO ARRANGE THIS

TRANSACTION.

3. DR. CAIRNS DELIVERED A LETTER AND A STATEMENT FROM HIS SON TO THE PRIME MINISTER ON THE EVENING OF JULY 2. IN THE LETTER DR. CAIRNS CLAIMED THAT HE HAD NO RECOLLECTION OF SIGNING THE MARCH 7 LETTER, THAT HIS JUNE 4 STATEMENT TO THE PARLIAMENT WAS HIS BEST RECOLLECTION OF THE MATTER, AND THAT HE HAD NO INTENTION OF RESIGNING ANY OF HIS OFFICES.

4. THE PRIME MINISTER PROMPTLY RESPONDED WITH A LETTER IN WHICH HE SAID HE FOUND NEITHER DR. CAIRNS' LETTER NOR HIS SON'S STATEMENT SATISFACTORY EXPLANATIONS AND INFORMING DR. CAIRNS THAT HE WAS ADVISING THE GOVERNOR-GENERAL TO TERMINATE DR. CAIRNS' MINISTERIAL COMMISSION. THE GOVERNOR-GENERAL PROMPTLY DID SO. DR. CAIRNS THEN SENT ANOTHER LETTER TO THE PRIME MINISTER PROTESTING AND ACCUSING HIM OF TAKING AN ARBITRARY AND UNFAIR ACTION.

5. AS MATTERS NOW STAND, DR. CAIRNS IS NO LONGER A MEMBER OF CABINET NOR IS HE DEPUTY PRIME MINISTER. HE REMAINS A MEMBER OF THE LABOR PARLIAMENTARY CAUCUS AND THE DEPUTY PARLIAMENTARY LEADER OF THE LABOR PARTY. THE LABOR CAUCUS WHICH MEETS MONDAY JULY 14 WILL HAVE TO DECIDE WHETHER TO SUPPORT THE PRIME MINISTER OR DR. CAIRNS AND A HEATED AND EMOTIONAL DEBATE IS LIKELY. IT IS NO EXAGGERATION TO STATE THAT THE LABOR GOVERNMENT FACES ITS GRAVEST POLITICAL CRISIS SINCE ASSUMING OFFICE.

6. TO FURTHER COMPLICATE MATTERS, THE PRIME MINISTER'S LETTER TO DR. CAIRNS OF JULY 1 STATED FLATLY THAT DR. CAIRNS' LETTER OF MARCH 7 FIRST CAME TO THE PRIME MINISTER'S ATTENTION ON JUNE 30. YET DR. CAIRNS' LETTER OF JULY 2 TO THE PRIME MINISTER INDICATES THAT THE PRIME MINISTER KNEW OF THE MARCH 7 LETTER TWO WEEKS AGO AND HAD CONSULTED THE ATTORNEY-GENERAL'S DEPARTMENT ABOUT IT AT THAT TIME.

7. OPPOSITION LEADER MALCOLM FRASER INDICATED IN A STATEMENT ISSUED ON JULY 2 THAT THE PRIME MINISTER COULD NOT CLEANSE HIS GOVERNMENT MERELY BY SACKING DR. CAIRNS AND RENEWED HIS CALL FOR A FULL JUDICIAL INQUIRY INTO THE GOVERNMENT'S HANDLING OF CONFIDENTIAL

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OVERSEAS LOAN TRANSACTIONS. MR. FRASER SAID THAT THE CENTRAL ISSUE IN THE LOANS AFFAIR WAS QTE MR. WHITLAM'S FAILURE TO ESTABLISH COMPETENT AND HONEST GOVERNMENT IN AUSTRALIA END QTE. HE ALSO CLAIMED THAT VARIOUS STATEMENTS MADE BY THE PRIME MINISTER CONCERNING THE RAISING OF OVERSEAS LOANS HAD MISLED THE PARLIAMENT JUST AS MUCH AS DR. CAIRNS HAD. FRASER ALSO INDICATED THAT IF A FULL JUDICIAL INQUIRY INTO THE ISSUE OF FOREIGN LOAN TRANSACTIONS WERE NOT HELD THE OPPOSITION WOULD REASSESS ITS

POSITION. THIS STATEMENT LEAVES OPEN THE POSSIBILITY THAT THE CAIRNS' AFFAIR COULD CONSTITUTE THE EXTRAORDINARY EVENT MR. FRASER HAS SAID WOULD BE NEEDED BEFORE THE OPPOSITION FORCES AN EARLY ELECTION. THERE IS EVERY INDICATION THAT THE OPPOSITION LEADER IS COMING UNDER INTENSE PRESSURE FROM HIS PARLIAMENTARY COLLEAGUES TO GO FOR EARLY ELECTIONS.

8. COMMENT: THE WHITLAM GOVERNMENT'S HANDLING OF EFFORTS TO SECURE OVERSEAS LOANS HAS BEEN AS BEWILDERING AS IT HAS BEEN INEPT. VARIOUS RUMORS, DENIALS AND ALLEGED MIDDLEMEN CONTINUE TO SURFACE. WHAT IS CLEAR IS THAT REGULAR PROCEDURES FOR RAISING OVERSEAS LOANS HAVE NOT BEEN FOLLOWED, AND THAT THE GOVERNMENT HAS BEEN UNSUCCESSFUL IN KEEPING SOME OF THE SILLIER ASPECTS OF ITS OPERATIONS OUT OF THE HANDS OF THE PRESS AND THE OPPOSITION. WE EXPECT MORE UNFAVORABLE DISCLOSURES IN THE DAYS AHEAD. THE OVERWHELMING IMPRESSION HERE IS THAT THE WHITLAM GOVERNMENT HAS BEHAVED STUPIDLY IF NOT ILLEGALLY AND HAS BEEN LESS THAN HONEST IN RESPONDING TO OPPOSITION QUESTIONS ON THESE MATTERS. MOREOVER, THE FIRING OF DR. CAIRNS IS JUST THE LATEST IN A SERIES OF MINISTERIAL CHANGES WHICH ILLUSTRATE THE DEPTH OF THE DIVISIONS WITHIN THE ALP'S RANKS. THE POLITICAL SITUATION IS FILLED WITH UNCERTAINTIES, BUT THE WHITLAM GOVERNMENT IS SEVERELY, PERHAPS FATALLY, WOUNDED. END COMMENT.
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